

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SAJ-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05 PA-01

PRS-01 /112 W

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R 231626Z DEC 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5317

INFO AMEMBASSY MOSCOW

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION NATO BRUSSELS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 20718

E.O. 11652: GDS

TAGS: EEWT, UR, GW

SUBJ: FRG WORKING GROUP MEETING IN MOSCOW; KALININGRAD  
NUCLEAR POWER PLANT

REF: MOSCOW 17920

1. BEGIN SUMMARY: WORKING GROUP OF JOINT GERMAN/  
SOVIET MIXED ECONOMIC COMMISSION MET DECEMBER 10-12  
IN MOSCOW TO PREPARE FOR THE NEXT FORMAL SESSION OF  
THE COMMISSION, WHICH WILL TAKE PLACE DURING MARCH  
IN MOSCOW. THE TWO SIDES PREPARED A PROTOCOL ON  
FURTHER COOPERATION IN THE INDUSTRIAL AND RAW MATERIAL  
SECTORS. DURING SIDE MEETINGS WITH RUSSIAN FOREIGN  
TRADE OFFICIALS, THE GERMAN SIDE WAS TOLD THAT THE  
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USSR WILL NOT CONSIDER DELIVERIES OF ELECTRICITY TO

WEST BERLIN IN EXCHANGE FOR CONSTRUCTION OF A NUCLEAR POWER PLANT IN KALININGRAD. END SUMMARY.

2. DEPUTY ASSISTANT SECRETARY IN ECONMIN SCHUESSLER LED GERMAN DELEGATION TO THE THREE-DAY MEETING OF THE WORKING GROUP, WHICH IS THE STEERING COMMITTEE AND PREPARATORY COMMITTEE FOR THE MIXED COMMISSION. AS IS THE CASE WITH PREVIOUS WORKING GROUP MEETINGS, THE TWO SIDES WORKED OUT A PROTOCOL WHICH WILL BE SIGNED DURING THE NEXT COMMISSION MEETING, NOW SCHEDULED FOR MARCH IN MOSCOW. FONOFF OFFICIAL WHO PARTICIPATED IN THE MEETING DESCRIBED THE PROTOCOL AS A PRO FORMA DOCUMENT WHICH CONTAINS VIRTUALLY NOTHING NEW. THE SOLE EXCEPTION TO THIS IS THE REFERENCE TO GREATER COOPERATION IN THE ENERGY FIELD. IN EXCHANGE FOR CONSTRUCTION OF ENERGY-PRODUCING FACILITIES IN THE USSR, THE FRG IS TO RECEIVE "ENERGY INTENSIVE PRODUCTS" FROM THE SOVIETS. FONMIN OFFICIALS WERE TOLD THAT THE SOVIET UNION IS NOT WILLING TO CONSIDER DELIVERIES OF ELECTRICITY TO THE FRG AS PART OF A DEAL COVERING NUCLEAR POWER PLANT CONSTRUCTION IN THE USSR. OFFICIALS WITH WHOM EMBOFF SPOKE THUS BELIEVE THAT THE KALININGRAD PROJECT IS DEAD. THE SOVIETS WERE SOMEWHAT VAGUE IN SPECIFYING THE TYPE OF "ENERGY-INTENSIVE PRODUCTS" THEY WOULD BE WILLING TO DELIVER IN EXCHANGE FOR POWER PLANTS; THE ONLY EXAMPLE THEY PRESENTED TO THE GERMAN SIDE WAS COMPLEX CHEMICALS.

3. OTHER SECTIONS OF THE PROTOCOL MAKE REFERENCE TO THE FOLLOWING TOPICS:

A. DOUBLE TAXATION: BOTH SIDES INDICATED AN INTEREST IN NEGOTIATING AN AGREEMENT, AND THERE IS APPARENTLY LITTLE SUBSTANTIVE DIFFICULTY WITH TAX AND FINANCIAL ISSUES; HOWEVER, THE AGREEMENT IS BEING STALLED BY THE BERLIN CLAUSE;

B. RATIONALIZATION AND MODERNIZATION OF RUSSIAN INDUSTRY; AN EXPERTS GROUP WILL EXAMINE POSSIBILITIES  
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FOR COOPERATION IN THIS FIELD. THE RUSSIANS ARE PARTICULARLY INTERESTED IN MODERNIZING THEIR TEXTILE AND SHOE INDUSTRIES. THEY WOULD LIKE THE FRG TO FOOT THE BILL FOR MODERNIZATION, BUT ARE ONLY WILLING TO MAKE REPAYMENT WITH PRODUCTS OF THE INDUSTRIES. THE GERMANS ARE TOTALLY UNINTERESTED IN SUCH A DEAL;

C. 1980 SUMMER OLYMPICS: THE FRG OFFERED TO PROVIDE

TECHNICAL ASSISTANCE TO THE SOVIET UNION IN CONNECTION  
WITH MOSCOW'S HOSTING OF THE 1980 OLYMPICS.  
THE SOVIETS ARE NOW CONSIDERING A GERMAN PROPOSAL TO  
SET UP A SPECIAL SUBGROUP OF THE MIXED COMMISSION  
FOR THIS PURPOSE;

D. RAW MATERIAL COOPERATION: THE RUSSIAN SIDE  
PRESSED THE FRG FOR SOME SORT OF COMMITMENT TO THE  
DEVELOPMENT OF THE RUSSIAN RAW MATERIAL SECTOR. THE  
SOVIETS WOULD LIKE TO SEE GERMAN INDUSTRY DEVELOP THIS  
SECTOR (AND PAY MOST OF THE DEVELOPMENT COSTS) IN  
EXCHANGE FOR A PORTION OF THE PRODUCTION. THE

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 20718

GERMAN DELEGATION AGREED TO OFFER ITS "BEST EFFORTS" TOWARD DEVELOPMENT OF THE SECTOR, BUT WAS UNWILLING TO COMMIT THE FRG TO ANY SPECIFIC PROGRAMS. GERMANY CONTINUES TO BELIEVE THAT SUCH COOPERATION SHOULD BE LEFT TO GERMAN INDUSTRY. THE SOVIETS INDICATED THAT PROSPECTS FOR COOPERATION WERE PARTICULARLY GOOD IN LEAD, ZINC, CHROME ORES, AND KAOLIN CLAY, BUT NO NEW PROJECTS WERE DISCUSSED.

4. OTHER TOPICS: FONMIN OFFICIAL ALSO DISCUSSED GENERAL TRADE, CREDIT, AND INDUSTRIAL RELATIONS WITH THE USSR. ON THE TRADE SIDE THE GERMANS HAVE NOTICED A SIGNIFICANT DROP IN EXPORTS TO THE USSR  
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IN THE PAST TWO MONTHS. PREVIOUSLY EXPORTS HAD BEEN RUNNING MORE THAN 50 PERCENT HIGHER THAN LAST YEAR. OUR SOURCE FEELS THAT THIS MAY BE THE RESULT OF AN APPARENT SOVIET DESIRE TO REDUCE IMPORTS IN LIGHT OF REDUCED GROWTH PROJECTIONS IN THE 1976-80 ECONOMIC PLAN. ON THE CREDIT SIDE HE SEEMED TO FEEL THAT SOVIET CREDITWORTHINESS WAS AS STRONG AS EVER. HIS CONVERSATIONS WITH GERMAN BANKERS INDICATED THAT GERMAN BANKS WERE MORE THAN WILLING TO EXTEND SUPPLIER'S CREDITS AND EURODOLLAR LOANS. (COMMENT: THIS WOULD SEEM TO CONFIRM THE IMPRESSION GIVEN REFTEL. END COMMENT). INDUSTRIAL AND COMMERCIAL COOPERATION SEEM TO BE MAKING SLOW BUT STEADY PROGRESS WITH SOME 22 GERMAN FIRMS NOW HAVING REPRESENTATIVES IN MOSCOW AND ANOTHER 15 HAVING MADE APPLICATION. THE SOVIETS AGREED DURING THE WORKING GROUP MEETING TO EXPAND THE FACILITIES OF THE GERMAN TRADE OFFICE IN MOSCOW, BUT HAVE ASKED IN TURN FOR EXPANSION OF THE SOVIET OFFICE IN COLOGNE. THE FOREIGN OFFICE IS NOW CONSIDERING THEIR PROPOSAL.

5. COMMENT: ALTHOUGH DISAPPOINTED WITH THE SOVIET ANSWER ON KALININGRAD, THE FRG HAD EXPECTED THIS RESULT AND APPARENTLY DID NOT LET IT GET IN THE WAY OF OTHER BUSINESS. THE WORKING GROUP MEETINGS AND THE MIXED COMMISSION MEETINGS HAVE TAKEN ON A LARGELY ROUTINE CHARACTER WHICH INSULATES THEM FROM OCCASIONAL SET-BACKS SUCH AS THIS. WHILE IT IS PERHAPS GOOD IN AND OF ITSELF THAT THE DIALOGUE CONTINUES, THE RESULTS SEEM TO BECOME MORE MEAGER WITH EACH SESSION. FURTHER DEVELOPMENT OF THE DIALOGUE HAS BEEN STALLED OVER THE ROLE OF THE FEDERAL REPUBLIC IN THE PROMOTION OF CLOSER ECONOMIC COOPERATION. THE RUSSIANS WANT THE FRG ITSELF TO TAKE A MORE ACTIVE

ROLE IN INDUSTRIAL AND RAW MATERIAL COOPERATION WHILE  
THE FRG INSISTS ON LETTING GERMAN INDUSTRY TAKE  
THE INITIATIVE. SINCE WE SEE NO PROSPECT FOR MOVEMENT  
IN THE GERMAN POSITION, THE PACE OF COOPERATION IS  
UNLIKELY TO QUICKEN.  
HILLENBRAND

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